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INFO AMEMBASSY WELLINGTON

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CINCPAC

C O N F I D E N T I A L SECTION 1 OF 3 CANBERRA 5768

CINCPAC ALSO FOR POLAD

E.O. 11652: GDS

TAGS: PINT, AS

SUBJECT: THE AUSTRALIAN POLITICAL SCENE

1. SUMMARY. PRIME MINISTER FRASER STILL REMAINS VERY MUCH IN CONTROL OF THE GOA IN SPITE OF AUSTRALIAN ECONOMIC DIFFICULTIES, IN SPITE OF THE FACT THAT VARIOUS OF HIS MINISTERS ARE UNDER ATTACK FOR ALLEGED ELECTORAL OR FISCAL IRREGULARITIES, AND IN SPITE OF THE FACT THAT HE IS ESSENTIALLY AN UNSYMPATHETIC AND UNPOPULAR LEADER.

2. ON THE STATE LEVEL, THE ALP RECENTLY WON AN IMPORTANT BY-ELECTION IN NSW BY AN UNEXPECTEDLY LARGE MAJORITY. THIS WILL PROBABLY LEAD TO PRECIPITOUS STATE ELECTIONS IN OVTOBER. IN VICTORIA, THE HAMMER LIBERAL GOVERNMENT IS SOMEWHAT SHAKY, LARGELY BECAUSE OF GROWING LAND SCANDALS AND UNPOPULAR FEDERAL ECONOMIC POLICIES. A
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RETURN TO POWER BY THE ALP IN VICTORIA IS NO LONGER UNFORESEEABLE. VICTORIAN ELECTIONS COULD TAKE PLACE AS EARLY AS DECEMBER. IN SPITE OF GAINS IN AUSTRALIA'S TWO MOST POPULOUS STATES, THE ALP'S RETURN TO POWER FEDERALLY IN THE NEAR OR MEDIUM FUTURE IS STILL MOST UNLIKELY.

3. PARLIAMENT, WHICH BEGAN ITS WINTER RECESS ON JUNE 7, WILL RECONVENE TO CONSIDER THE FEDERAL BUDGET ON AUGUST 15. FEDERAL MINISTERS ARE NOW DEBATING THEIR BUDGET SUB-MISSIONS FOR WHAT IS SHAPING UP TO BE A HIGHLY RESTRICTIVE, NON-EXPANSIONARY "HORROR BUDGET." OPPOSITION FIGURES ARE CONTINUING THEIR ATTACKS ON THE GOVERNMENT'S ECONOMIC POLICIES AND THE LIKELY DELETERIOUS AFFECTS OF THE NEW BUDGET ON THE AUSTRALIAN ECONOMY AND EMPLOYMENT. END SUMMARY.

4. MALCOLM FRASER REMAINS VERY MUCH IN CONTROL OF THE GOA AND HIS PRESENT POSITION IS VIRTUALLY UNASSAILABLE. THERE IS INCREASING CRITICISM FROM MEMBERS OF THE ALP AND A SUBSTANTIAL NUMBER OF LIBERAL PARTY BACK-BENCHERS THAT FRASER HAS ASSUMED DICTATORIAL POWER OVER THE AUSTRALIAN INNER CABINET AND HENCE THE GOVERNMENT. FRASER HAS BEEN ABLE TO BRING THIS ABOUT BECAUSE: (1) FRASER, NOMINALLY A MEMBER OF THE LIBERAL PARTY, IS REALLY CLOSER IN HIS POLITICAL THINKING TO HIS NATIONAL COUNTRY PARTY COALITION COLLEAGUES, THUS, HE CAN COUNT ON THEIR ALMOST BLIND OBEDIENCE. (IN ANY EVENT, FRASER DOES NOT NEED THE NCP BECAUSE THERE ARE MORE THAN ENOUGH LIBERAL MEMBERS OF PARLIAMENT TO FORM A GOVERNMENT WITHOUT NCP PARTICIPATION). (2) POTENTIALLY INDEPENDENT MEMBERS OF THE INNER CABINET HAVE BEEN WEAKENED BY CHARGES AGAINST THEM INVOLVING FINANCIAL OR POLITICAL CONFIDENTIAL

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IRREGULARITIES OR OPERATIONAL INEPTNESS. THIS CATEGORY INCLUDES FORMER TREASURER PHILLIP LYNCH (NOW MINISTER OF COMMERCE AND INDUSTRY). WITH CONTINUING CLAIMS OF FINANCIAL IRREGULARITIES AGAINST HIM; SUSPENDED MINISTER FOR FINANCE ERIC ROBINSON AND SENATE LEADER REG WITHERS WHO ARE INVOLVED IN A JUDICIAL INQUIRY INTO ALLEGATIONS THAT ROBINSON INTERFERED IN THE 1977 ELECTORAL REDISTRIBUTION PROCESS IN QUEENSLAND; MINISTER FOR DEFENCE JIM KILLEN, CHARGED WITH NOT REALLY HAVING CONTROL OVER HIS MINISTRY; AND MINISTER FOR SOCIAL SECURITY MARGARET GUILFOYLE, WHOSE POSITION HAS BEEN WEAKENED BECAUSE SHE IS IN CHARGE OF THE MINISTRY MOST AFFECTED BY FRASER'S CUTS IN SOCIAL WELFARE EXPENDITURES. (3) MOST OF THE REMAINING MEMBERS OF THE INNER CABINET OWE THEIR RAPID CAREER ADVANCEMENT TO MALCOLM FRASER. FOREIGN MINISTER ANDREW PEACOCK IS VIEWED AS THE ONLY POTENTIALLY VIABLE DISSIDENT IN THE INNER CABINET. HOWEVER, HE HAS BEEN ISOLATED THROUGH HIS APPOINTMENT AS FOREIGN MINISTER WHICH IS NOT A POWERFUL POSITION IN CABINET. PEACOCK NEEDS TO TAKE OVER A DOMESTIC MINISTRY BEFORE HE CAN HOPE TO GAIN THE POLITICAL CLOUT NECESSARY TO CHALLENGE FRASER. THE PRIME MINISTER IS UNLIKELY TO GIBE IT TO

HIM.

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5. FRASER IS ALSO UNDER ATTACK ON THE GROUNDS THAT HIS RESTRICTIVE ECONOMIC POLICIES WILL EVENTUALLY LEAD THE LIBERALS TO AN ELECTION DEFEAT. AUSTRALIA'S REAL GNP INCREASED LAST YEAR BY ONLY 2.1 PERCENT. THE OECD PREDICTS THAT IT WILL NOT EXCEED 3.75 PERCENT DURING 1978. WHILE INFLATION IS ADMITTEDLY DOWN, THIS HAS BEEN COUPLED WITH THE HIGHEST RATE OF UNEMPLOYMENT IN AUSTRALIA SINCE THE GREAT DEPRESSION, WITH EVERY INDICATION THAT IT WILL CONTINUE TO RISE. MANY CRITICS CONTEND THAT ALTHOUGH FRASER WAS ELECTED TO OFFICE PRIMARILY ON A PLATFORM OF RETURNING AUSTRALIA TO ECONOMIC PROGRESS AND GROWTH FOLLOWING THREE YEARS OF OFTEN INEPT, MISTAKE-RIDDEN ACTION BY THE ALP, THE LIBERAL-NCP COALITION HAS NOT BEEN VERY EFFECTIVE IN BRINGING IT OFF. THERE ARE A GREAT NUMBER OF PEOPLE WHO QUESTION WHETHER THE ECONOMY IS BEING MANAGED ANY BETTER UNDER FRASER THAN IT WAS UNDER WHITLAM. FOREIGN INVESTMENT HAS NOT INCREASED ANYWHERE NEAR THE
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DESIRED EXTENT. THE FEDERAL DEFICIT WAS ONE BILLION DOLLARS HIGHER LAST YEAR THAN PREDICTED BY THE GOVERNMENT -- ALL THIS IN SPITE OF MASSIVE CUTS IN ALL SORTS OF WELFARE PROGRAMS INVOLVING MEDICAL CARE, THE ARTS, PUBLIC EDUCATION, ABORIGINAL AFFAIRS, ETC.

6. IN SPITE OF AUSTRALIA'S ECONOMIC DIFFICULTIES FRASER STILL HAS IMPORTANT ADVANTAGES PERMITTING HIM TO MAINTAIN POLITICAL POWER. FIRST, HIS PARTY REMEMBERS THAT GRASER LED THEM TO THE TWO LARGEST ELECTION VICTORIES IN AUSTRALIAN HISTORY IN 1975 AND 1977; ANOTHER GREAT ADVANTAGE IS THE LACK OF AN EFFECTIVE ALP OPPOSITION. BILL HAYDEN HAS PERFORMED COMPETENTLY AS OPPOSITION LEADER SINCE HIS SELECTION IN JANUARY. THE ENTIRE OPPOSITION TEAM COMPOSED OF HAYDEN, BOWEN, MWREIDT, ABD BUTTON HAS PERFORMED MORE EFFECTIVELY IN PARLIAMENT AND ON THE AUSTRALIAN POLITICAL SCENE AT LARGE, THAN DID WHITLAM'S GOVERNMENT. HAYDEN'S POPULARITY RATING IS, IN FACT, CURRENTLY HIGHER THAN FRASER'S. HOWEVER, ALP FEDERAL ELECTION PROSPECTS ARE STILL VERY BLEAK.

7. FEDERALLY, THE ALP PARTY SECRETARIAT IS THIN, POORLY FINANCED, AND OFTEN INEPT. ON THE STATE LEVEL, ALP SECRETARIATS ARE GENERALLY INEFFECTIVE, EXCEPT IN NSW WHERE THE PARTY ORGANIZATION IS EXCELLENT AND, TO A LESSER EXTENT, IN SOUTH AUSTRALIA. IN OTHER STATES, ALP SECRETARIATS ARE CONTROLLED BY A "NEW LEFT" (TASMANIA, AND WESTERN AUSTRALIA) MORE INTERESTED IN FIGHTING OBSCURE, RADICAL SIDE ISSUES (E.G. ABORTION, LEGALIZATION OF MARIJUANA, GAY RIGHTS, ABORIGINAL RIGHTS, ETC.) THAN IN WINNING ELECTIONS; OR DOMINATED BY PARTY AND UNION HACKS, MORE INTERESTED IN MAINTAINING THEIR CONFIDENTIAL

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PERSONAL POWER POSITIONS THAN LEADING THEIR PARTY TO OFFICE (QUEENSLAND AND VICTORIA).

8. ANOTHER MAJOR DIFFICULTY FACING THE ALP IS THAT AS THE OFFICIAL POLITICAL EXTENSION OF THE AUSTRALIAN UNION MOVEMENT, ITS BASE HAS BECOME TOO NARROW. THE MAJORITY OF THE ALP'S FUNDS AND THE MAJORITY OF ITS TRADITIONAL VOTES COME FROM UNION MEMBERS (UNIONS REPRESENT 55 PERCENT OF AUSTRALIAN WORKERS). THE PROBLEM FOR THE ALP IS THAT WITH THE INCREASING PROSPERITY OF THE WORKING CLASS, MANY OF ITS TRADITIONAL SUPPORTERS HAVE BEEN DRAWN AWAY FROM THE ALP'S SOCIALIST PRINCIPLES. LEFTIST LEADERS OFTEN DECRY THE FACT THAT WORKERS ARE MORE INTERESTED IN

BUILDING HOMES IN THE SUBURBS AND OWNING TWO CARS THAN THEY ARE IN THE PARTY'S "SOCIALIST" GOALS. THE RIGHT WING OF THE ALP IS ATTEMPTING TO TAKE THE OPPOSITE TACK -- AWAY FROM "PIE IN THE SKY" UTOPIANISM, BASED ON THE CONVICTION THAT THE ALP CAN ONLY RETURN TO OFFICE IF IT CAN PROVE THAT IT'S THE PARTY THAT COULD RUN THE COUNTRY MORE EFFECTIVELY AND BRING GREATER ECONOMIC ADVANTAGE TO THE AVERAGE AUSTRALIAN. THE PROBLEM FOR THE ALP IS FURTHER COMPLICATED BY THE FACT THAT COMMUNIST LEADERS DOMINATE CERTAIN KEY INDUSTRIES. THESE COMMUNIST LEADERS STAGE POLITICAL STRIKES OFTEN UNRELATED TO REAL ECONOMIC GAINS FOR THE WORKERS. IN ESSENCE, THEY ARE ATTEMPTING REVOLUTION IN A NON-REVOLUTIONARY COUNTRY. BY CONTINUING TO HARBOR THE COMMUNISTS IN THE LABOR MOVEMENT, THE ALP HAS FAILED TO FACE WHAT HAS COME TO BE A CLASSIC PROBLEM AMONG SOCIALIST PARTIES: WHETHER OR NOT TO SPLIT WITH THE FAR LEFT AND LOSE SOME SUPPORT IN ORDER TO DEVELOP A MORE MODERATE STANCE TO AVOID CONTINUING ELECTION LOSSES.

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9. AS NOTED ABOVE, THE ALP IS IN GOOD SHAPRE IN NEW SOUTH WALES, AUSTRALIA'S MOST POPULOUS STATE. NEVILLE WRAN IS A POPULAR, MODERATE PREMIER WHOSE POLICIES DIFFER LITTLE FROM THOSE OF THE LIBERAL PARTY. THE ALP RECENTLY

CAPTURED A SEAT THAT THE LIBERALS HAD HELD FOR OVER TWENTY-FIVE YEARS. IT TOOK A SWING IN THE VOTE OF 9.4 PERCENT. INTERESTINGLY ENOUGH, ALP POLLS IN APRIL SHOWED THAT IS WOULD WIN THE BI-ELECTION WITH A 9.2 PERCENT SWING. THE SAME POLL SHOWED THAT THE ELECTORATE WOULD STILL RETURN A LIBERAL TO OFFICE IN A FEDERAL ELECTION. WRAN AND PARTY OFFICIALS SUCH AS JOHN DUCKER AND GRAHAM RICHARDSON ARE TYRING TO CONVINCING OTHER ALP LEADERS THAT NSW POLICY IS THE ONLY EFFECTIVE ONE FOR THE PARTY -- MODERATION, SOUND ECONOMIC MANAGEMENT, LITTLE ATTENTION TO SOCIALIST PRINCIPLES OR SIDE ISSUES. THUS FAR, WRAN AND COMPANY HAVE HAD LITTLE SUCCESS IN SELLING THEIR VIEWS. TO OTHER STATE BRANCHES OF THE ALP.

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10. THE SITUATION IS LOOKING UP SOMEWHAT IN VICTORIA FOR THE ALP, LARGELY BECAUSE OF GOVERNMENT SCANDALS AND THE FEELING THAT THE LIBERALS HAVE BEEN IN OFFICE FOR TOO MANY YEARS. HOWEVER, THE PARTY IS STILL GREATLY TROUBLED BY DIFFERENCES BETWEEN THE LEFT AND THE RIGHT, AND THE ALP IS STILL RUNNING BEHIND IN OPINION POLLS.

11. IN TASMANIA, THE ALP HAS NO SEATS IN FEDERAL PARLIAMENT ALTHOUGH IT CONTROLS THE STATE GOVERNMENT UNDER A CONSERVATIVE PREMIER, DOUG LOWE. MODERATE ALP FIGURES EXPECT LITTLE IMPROVEMENT IN TASMANIA PENDING CHANGES IN THE LARGELY AMAEURISH PARTY SECRETARIAT AND CHANGES IN THE METHOD OF PRE-SELECTION OF PATY CANDIDATES.

12. IN WESTERN AUSTRALIA THE ALP IS IN DESPERATE STRAITS. IN THE LAST FEDERAL ELECTION, THE ALP ACTUALLY GAINED LESS THAN 30 PERCENT OF THE POPULAR VOTE IN SOME DESTRICTS THAT WERE HISTORICALLY LABOR-CONTROLLED. THER IS LITTLE QUESTION THAT TROTSKYITES AND INDIVIDUALS PRIMARILY INTERESTED IN MINOR ISSUES HAVE GAINED CONTROL. SENATOR JOHN WHEELDON, FORMERLY KNOWN AS A LEFTIST FIGURE IN THE ALP, HAS NOW COME TO BE KNOWN AS THE VOICE OF MODERATION IN HIS STATE.

13. IN QUEENSLAND, OPPOSITION LEADER HAYDEN IS IN BITTER DISPUTE WITH LOCAL ALP LEADERSHIP. THE LOCALS WENT SO FAR AS TO OPPOSE HAYDEN, A QUEENSLANDER, IN HIS SUCCESSFUL BID FOR ALP PARLIAMENTARY LEADERSHIP IN JANUARY. THEY WILL NOT FOLLOW MODERATE GOALS.

14. FINALLY, IN SOUTH AUSTRALIA, THE SECRETARIAT IS

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SOMEWHAT MORE EFFECTIVE BUT IT IS PRIMARILY INTERESTED IN THE CONTINUING REELECTION OF THE POPULAR "TRENDY" PREMIER DON DUNSTAN. THE ALP IS SUCCESSFUL ON THE STATE LEVEL BUT HAS MADE LITTLE PROGRESS FEDERALLY.

15. GIVEN THIS PICTURE, VARIOUS ALP LEADERS HAVE TOLD US THAT FOR THE FORESEEABLE FUTURE ALP PROSPECTS OF WINNING A FEDERAL ELECTION ARE SLIGHT. THE ALP'S BEST HOPE IS THAT MALCOLM FRASER WILL CONTINUE HIS HARD, RIGHT-WING ECONOMIC COURSE AND THAT HIS POLICIES WILL EVENTUALLY PROVE TOO CONSERVATIVE EVEN FOR AUSTRALIA. IN OUR VIEW, FRASER IS MORE FLEXIBLE THAN THIS. WHEN THE GOING GETS REALLY TOUGH, WHEN UNEMPLOYMENT BECOMES UNMANAGEABLE, WHEN THE REAL CUTS THAT ARE BEING MADE IN AUSTRALIAN LIVING STANDARDS (NOW AMONG THE HIGHEST IN THE WORLD) BECOME UNBEARABLE TO THE MAJORITY, OR WHEN INTERNAL LIBERAL PARTY PRESSURES BECOME TOO GREAT, FRASER WILL CHANGE SOME ELEMENTS OF HIS BASIC ECONOMIC CONSERVATISM, OPEN THE TAPS ENOUGH TO AMELIORATE THE SITUATION AND PROBABLY MAINTAIN POWER FOR SOME YEARS TO COME.
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